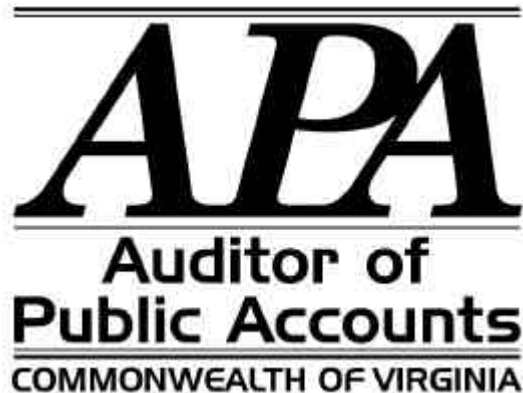


**OLD DOMINION UNIVERSITY
NORFOLK, VIRGINIA**

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2001**



AUDIT SUMMARY

Our audit of Old Dominion University for the year ended June 30, 2001, found:

- the accompanying financial statements present fairly, in all material respects, the University's financial position as of June 30, 2001, and the changes in fund balances and current funds revenues, expenditures, and other changes for the year then ended, in conformity with generally accepted accounting principles;
- internal control matters that we consider to be reportable conditions; however, we do not consider any of these to be material weaknesses;
- certain immaterial instances of noncompliance with applicable laws and regulations; and
- adequate corrective action of prior year audit findings.

Reportable conditions are explained in detail in the section of this report titled "Internal Control and Compliance Findings and Recommendations."

- TABLE OF CONTENTS -

AUDIT SUMMARY

INDEPENDENT AUDITOR'S REPORT:

Report on Financial Statements

Report on Compliance and on Internal Control over Financial Reporting

INTERNAL CONTROL AND COMPLIANCE FINDINGS AND RECOMMENDATIONS

FINANCIAL STATEMENTS:

Balance Sheet

Statement of Changes in Fund Balances

Statement of Current Funds Revenues, Expenditures, and Other Changes

Notes to Financial Statements

SUPPLEMENTARY INFORMATION:

Schedule of Auxiliary Enterprises Revenues and Expenditures

UNIVERSITY OFFICIALS

February 13, 2002

The Honorable Mark R. Warner
Governor of Virginia

The Honorable Vincent F. Callahan, Jr.
Chairman, Joint Legislative Audit and Review Commission

The Board of Visitors
Old Dominion University

We have audited the accounts and records of **Old Dominion University** as of and for the year ended June 30, 2001, and submit herewith our complete reports on financial statements and on compliance and internal control over financial reporting.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the balance sheet of Old Dominion University as of June 30, 2001, a component unit of the Commonwealth of Virginia, as of June 30, 2001, and the related statements of changes in fund balances and current funds revenues, expenditures, and other changes for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Old Dominion University as of June 30, 2001, and the changes in fund balances and current funds revenues, expenditures, and other changes for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying "Schedule of Auxiliary Enterprises Revenues and Expenditures" is presented for the purpose of additional analysis and is not a required part of the financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, such information is fairly presented in all material respects, in relation to the financial statements taken as a whole.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements of Old Dominion University as of and for the year ended June 30, 2001, we considered internal controls over financial reporting and tested compliance with certain provisions of laws, regulations, contracts, and grants in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards. However, we noted certain immaterial instances of noncompliance, which are described in the section titled, "Internal Control and Compliance Findings and Recommendations."

Compliance

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the University's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the section titled "Internal Control and Compliance Findings and Recommendations."

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable

conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

Status of Prior Findings

The University has taken adequate corrective action with respect to audit findings reported in the prior year.

The “Independent Auditor’s Report on Compliance and on Internal Control Over Financial Reporting” is intended solely for the information and use of the Governor and General Assembly of Virginia, the Board of Visitors and management, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

EXIT CONFERENCE

We discussed this report with management at an exit conference held on April 2, 2002.

AUDITOR OF PUBLIC ACCOUNTS

GML:kva

kva:60

INTERNAL CONTROL AND COMPLIANCE FINDINGS AND RECOMMENDATIONS

Improve Controls Over Small Purchase Charge Card Program

The University did not always follow established procedures for the Small Purchase Charge Card Program. We found 13 instances where cardholders authorized a charge in excess of established transaction limits. In 9 of these cases, cardholders circumvented transaction limits by splitting the invoice. Also, a significant number of cardholders did not submit monthly charge card statements, purchase logs, or receipts to appropriate supervisors for review before payment.

The Commonwealth's Accounting Policies and Procedures (CAPP) Manual requires institutions to set transaction limits for charge card usage and suggests institutions revoke card usage for a minimum of six months when non-compliance occurs. University procedures require cardholders to submit statements, logs, and receipts to the Accounts Payable Office for verification no later than the 5th of each month.

The University should follow and enforce its purchase charge card procedures. Cardholders should receive training regarding proper procurement practices when using charge cards and should understand their responsibility to submit timely documentation for supervisory review. Management should review cardholder statements for order splitting that circumvents transaction limits and take appropriate action when detected.

Properly Calculate Allocation of Responsibility for Title IV Refunds

The University's Student Information System did not properly calculate Title IV refund allocations for students with adjustments to their original institutional charges. In fall 2000, the University implemented the new federally-mandated refund policy for students receiving Title IV funds who withdraw from classes. This new policy sets forth a formula to determine the responsibility for the refund between the University and the student. The University established inaccurate refund cut-off dates causing the system to calculate refund allocations using original institutional charges rather than adjusted charges. Using original charges results in an improper allocation of responsibility between the University and the student.

The University should recalculate refund allocations for all students with adjustments to institutional charges since fall 2000 and make appropriate settlements. The University should work with its Student Information System vendor to determine the cause of this improper allocation and request or make changes to the software to prevent miscalculations in the future. Subsequent to our audit, the University has implemented system changes and has begun researching individuals for proper refund allocation.

Update Information Technology Security Program's Business Impact Analysis, Risk Assessment, and Contingency Plan

The University has not updated its Information Technology Security Program to include a formal business impact analysis and risk assessment since 1998. The institution has also not updated or tested its contingency management plan to include plans from individual departments, during this time period. The institution's analyses does not include the new administrative accounting system (BANNER) and other recent system additions.

Business impact and risk analyses should identify all sensitive information systems containing confidential or critical information. Identifying these systems allows the University to effectively use security safeguards to minimize the potential for future loss.

Contingency plans should include provisions for updating and testing as necessary to ensure that a contingency exists for all critical business functions including administrative and academic processes. Updating and testing the plan and training the staff will identify and allow for correction of any problems that may exist. Without such a plan, management increases the risk of not resuming critical business activities promptly by either recovering computing capability or using alternate procedures should a disaster strike.

We recommend the University periodically perform and document a comprehensive business impact analysis and risk assessment for all information systems to identify potential risks in its changing computing environment. The analyses will also identify critical departments within the University that need to develop their own contingency plans. The University's Office of Computing and Communications Services (OCCS), along with the University's Information Security Officer, should take responsibility for conducting these analyses and developing and maintaining contingency plans. The Commonwealth of Virginia's ITRM Standard SEC2000-01.1 provides guidance in conducting these analyses and developing contingency plans.

OLD DOMINION UNIVERSITY
BALANCE SHEET
As of June 30, 2001

A S S E T S	Current Funds		Loan Funds	Endowment and Similar Funds
	Unrestricted	Restricted		
Cash (Note 4)	\$ 20,636,679	\$ 3,116,553	\$ 115,699	\$ -
Investments with the Treasurer of Virginia (Note 4)	2,916,891	-	-	-
Appropriations available	12,940	4,464	-	-
Investments (Note 4)	4,080,203	1,346,809	1,679,815	11,232,825
Accounts receivable (Note 5)	4,586,517	1,406,130	173,854	-
Notes receivable (Note 5)	-	-	2,897,610	-
Inventories	557,580	-	-	-
Due from other funds	450,534	-	-	-
Prepaid expenses	230,788	1,065	-	-
Land	-	-	-	-
Buildings	-	-	-	-
Improvements	-	-	-	-
Equipment	-	-	-	-
Library books	-	-	-	-
Construction in progress	-	-	-	-
Equity in Equipment Trust Fund	2,752,118	-	-	-
Total assets	\$ 36,224,250	\$ 5,875,021	\$ 4,866,978	\$ 11,232,825
LIABILITIES AND FUND BALANCES				
Cash overdraft (Note 9)	\$ -	\$ -	\$ -	\$ 142
Accounts payable and accrued liabilities	10,317,996	166,139	343	-
Obligations under Securities Lending Program	2,916,891	-	-	-
Accrued leave	5,148,214	134,684	-	-
Deferred revenue	3,325,250	-	-	-
Retainage payable (Note 10)	-	-	-	-
Bonds payable (Note 6)	-	-	-	-
Leases payable (Note 6)	-	-	-	-
Due to other funds	-	652,984	546	-
Deposits pending distribution	357,586	-	-	-
Funds held in custody for others	-	-	-	-
Fund balances:				
Unrestricted current funds	14,158,313	-	-	-
Restricted current funds	-	4,921,214	-	-
Loan funds, U.S. Government grants	-	-	4,086,589	-
Loan funds, University - Restricted	-	-	779,500	-
Endowment - Restricted	-	-	-	6,221,206
Quasi-endowment - Restricted	-	-	-	4,480,217
Quasi-endowment - Unrestricted	-	-	-	531,260
Unexpended plant funds	-	-	-	-
Renewals and replacements	-	-	-	-
Net investment in plant	-	-	-	-
Total liabilities and fund balances	\$ 36,224,250	\$ 5,875,021	\$ 4,866,978	\$ 11,232,825

The accompanying Notes to Financial Statements are an integral part of this statement.

Plant Funds					
Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment in Plant	Agency Funds	Total (Memorandum Only)
\$ -	\$ 970,619	\$ -	\$ -	\$ 97,923	\$ 24,937,473
10,859,767	-	-	-	-	13,776,658
9,636,857	-	-	-	-	9,654,261
238,882	1,019,012	-	-	1,421,722	21,019,268
-	-	-	-	88	6,166,589
-	-	-	-	-	2,897,610
-	-	-	-	-	557,580
-	-	207,245	-	-	657,779
-	-	-	-	-	231,853
-	-	-	16,900,415	-	16,900,415
-	-	-	146,982,914	-	146,982,914
-	-	-	7,860,426	-	7,860,426
-	-	-	40,394,853	-	40,394,853
-	-	-	33,755,252	-	33,755,252
-	-	-	85,444,684	-	85,444,684
-	-	-	-	-	2,752,118
\$ 20,735,506	\$ 1,989,631	\$ 207,245	\$ 331,338,544	\$ 1,519,733	\$ 413,989,733

\$ 4,402,295	\$ -	\$ -	\$ -	\$ -	\$ 4,402,437
2,792,366	-	207,245	-	3,486	13,487,575
-	-	-	-	-	2,916,891
-	-	-	-	-	5,282,898
-	-	-	-	-	3,325,250
894,689	-	-	-	-	894,689
-	-	-	51,516,362	-	51,516,362
-	-	-	2,017,787	-	2,017,787
3,450	-	-	-	799	657,779
-	-	-	-	-	357,586
-	-	-	-	1,515,448	1,515,448
-	-	-	-	-	14,158,313
-	-	-	-	-	4,921,214
-	-	-	-	-	4,086,589
-	-	-	-	-	779,500
-	-	-	-	-	6,221,206
-	-	-	-	-	4,480,217
-	-	-	-	-	531,260
12,642,706	-	-	-	-	12,642,706
-	1,989,631	-	-	-	1,989,631
-	-	-	277,804,395	-	277,804,395
\$ 20,735,506	\$ 1,989,631	\$ 207,245	\$ 331,338,544	\$ 1,519,733	\$ 413,989,733

OLD DOMINION UNIVERSITY
STATEMENT OF CHANGES IN FUND BALANCES
For the Year Ended June 30, 2001

	Current Funds		Loan Funds
	Unrestricted	Restricted	
Revenues and other additions:			
Unrestricted current funds revenues	\$ 174,004,069	\$ -	\$ -
State appropriations	-	7,398,737	-
Federal grants and contracts	-	51,388,258	26,245
State grants and contracts	-	1,775,338	-
Private gifts, grants, and contracts	-	7,767,513	-
Investment income	-	467,883	35,790
Interest on loans receivable	-	-	20,152
Expended for plant facilities (Including \$4,313,568 charged to current funds)	-	-	-
Retirement of indebtedness	-	-	-
Realized gain on investments	-	117,350	-
Other sources	-	1,330,320	57,321
Total revenues and other additions	174,004,069	70,245,399	139,508
Expenditures and other deductions:			
Educational and general expenditures	146,877,038	69,974,179	-
Auxiliary enterprises expenditures	20,219,634	1,701,642	-
Indirect cost recovered	-	53,801	-
Expended for plant facilities (Including \$3,119,021 not capitalized)	-	-	-
Retirement of indebtedness	-	-	-
Interest on indebtedness	-	-	-
Disposal of plant assets	-	-	-
Refunded to grantors	-	387,914	-
Unrealized loss on investments	-	-	-
Payments for Securities Lending Program	99,724	-	-
Total expenditures and other deductions	167,196,396	72,117,536	-
Transfers among funds - additions/(deductions):			
Mandatory:			
Debt service	(5,812,689)	-	-
Allocation of work study	(83,287)	83,287	-
Nonmandatory - (to)/from other funds	(6,170,833)	2,534,488	(35,790)
Total transfers among funds	(12,066,809)	2,617,775	(35,790)
Net increase (decrease) for the year	(5,259,136)	745,638	103,718
Fund balances at beginning of year as restated (Note 3)	19,417,449	4,175,576	4,762,371
Fund balances at end of year	\$ 14,158,313	\$ 4,921,214	\$ 4,866,089

Endowment and Similar Funds	Plant Funds			
	Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment in Plant
\$ -	\$ -	\$ -	\$ -	\$ -
-	4,322,193	-	1,659,962	-
-	-	-	-	-
-	-	-	-	-
11,315	381,235	-	-	-
-	545,810	82,885	61,382	-
-	-	-	-	-
-	-	-	-	11,130,137
-	-	-	-	5,113,200
-	-	-	-	-
-	92,080	-	-	-
11,315	5,341,318	82,885	1,721,344	16,243,337
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	9,933,818	1,772	-	-
-	-	-	5,113,200	-
-	-	-	2,359,452	-
-	-	-	-	46,998
-	-	-	-	-
741,107	-	-	-	-
-	-	-	-	-
741,107	9,933,818	1,772	7,472,652	46,998
-	-	-	5,812,689	-
-	-	-	-	-
(383,229)	4,394,326	(277,581)	(61,381)	-
(383,229)	4,394,326	(277,581)	5,751,308	-
(1,113,021)	(198,174)	(196,468)	-	16,196,339
12,345,704	12,840,880	2,186,099	-	261,608,056
\$ 11,232,683	\$ 12,642,706	\$ 1,989,631	\$ -	\$ 277,804,395

OLD DOMINION UNIVERSITY
STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES, AND OTHER CHANGES
For the Year Ended June 30, 2001

	Unrestricted	Restricted	Total
Revenues:			
Tuition and fees	\$ 52,189,421	\$ -	\$ 52,189,421
State appropriations (Note 11)	85,710,024	7,337,306	93,047,330
Federal grants and contracts	36,050	51,118,417	51,154,467
State grants and contracts	21,491	2,702,779	2,724,270
Private gifts, grants, and contracts	-	10,434,032	10,434,032
Sales and services of auxiliary enterprises	33,426,455	-	33,426,455
Proceeds from Securities Lending Program	99,724	-	99,724
Other sources	2,520,904	-	2,520,904
Total current revenues	174,004,069	71,592,534	245,596,603
Expenditures and mandatory transfers:			
Educational and general:			
Instruction	79,224,212	3,084,076	82,308,288
Research	321,200	2,869,311	3,190,511
Public service	379,331	396,875	776,206
Academic support	28,620,809	422,313	29,043,122
Student services	6,468,440	706,058	7,174,498
Institutional support	16,225,560	2,917,002	19,142,562
Operation and maintenance of plant	11,219,237	-	11,219,237
Scholarships and fellowships	4,418,249	59,578,544	63,996,793
Educational and general expenditures	146,877,038	69,974,179	216,851,217
Mandatory transfers:			
Debt service	232,958	-	232,958
Allocation of work study	83,287	(83,287)	-
Total educational and general	147,193,283	69,890,892	217,084,175
Auxiliary enterprises:			
Operating expenditures	20,219,634	1,701,642	21,921,276
Payments for Securities Lending Program	99,724	-	99,724
Mandatory transfers for debt service	5,579,731	-	5,579,731
Total auxiliary enterprises	25,899,089	1,701,642	27,600,731
Total expenditures and mandatory transfers	173,092,372	71,592,534	244,684,906
Other transfers and additions/(deductions):			
Deficiency of restricted receipts over transfers to revenue	-	(1,400,936)	(1,400,936)
Refunded to grantors	-	(387,914)	(387,914)
Nonmandatory transfers (to)/from other funds	(6,170,833)	2,534,488	(3,636,345)
Net increase (decrease) in fund balances	\$ (5,259,136)	\$ 745,638	\$ (4,513,498)

The accompanying Notes to Financial Statements are an integral part of this statement.

OLD DOMINION UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
AS OF JUNE 30, 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Old Dominion University have been prepared in accordance with generally accepted accounting principles for colleges and universities. The significant accounting policies followed by the University are as follows:

A. Reporting Entity

Old Dominion University is an institution of higher education and operates under policy guidelines established by the State Council of Higher Education in Virginia and is governed by a Board of Visitors.

A separate report is prepared for the Commonwealth of Virginia, which includes all agencies, boards, commissions, and authorities over which the Commonwealth exercises or has the ability to exercise oversight authority. The University is a component unit of the Commonwealth of Virginia and is included in the general purpose financial statements of the Commonwealth.

B. Basis of Accounting

The University utilizes the accrual basis of accounting in accordance with the American Institute of Certified Public Accountants' audit guide, Audits of Colleges and Universities. The accompanying financial statements include no provision for the depreciation of plant assets.

The Statement of Current Funds Revenues, Expenditures, and Other Changes is a statement of financial activities of current funds related to the current reporting period. It does not purport to present the results of operations or the net income or loss for the period as would a statement of income or a statement of revenues and expenses.

C. Fund Accounting

To ensure observance of limitations and restrictions placed on the use of resources, the accounts are maintained in accordance with the principles of "fund accounting." Resources are classified for accounting and reporting purposes into funds which may be used for activities or objectives specified. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group.

Within each fund group, fund balances restricted by outside sources are so indicated and are distinguished from unrestricted funds allocated to specific purposes by action of the Board of Visitors. Externally restricted funds may only be utilized in accordance with the

purposes established by the source of such funds, and are in contrast with unrestricted funds over which the governing board retains full control and use in achieving any of its institutional purposes, subject only to State laws and regulations governing such funds.

Unrestricted revenue is accounted for in the Current Unrestricted Fund. Restricted gifts, grants, appropriations, and other restricted resources are accounted for in the appropriate restricted funds. Current Restricted Funds are reported as revenues and expenditures when expended for current operating purposes.

A summary of fund group definitions is as follows:

Current Funds - Current fund balances are separated into those which are restricted by donors and those which are unrestricted. Restricted funds may only be expended for the purposes indicated by the donor or grantor whereas unrestricted funds are available for current operations at the discretion of the University.

Loan Funds - Loan funds represent funds which are limited by the terms of their donors or by action of the Board of Visitors for the purpose of making loans to students.

Endowment and Similar Funds - Endowment and similar funds record the usage of income from moneys subject to the restrictions of gift instruments requiring in perpetuity that the principal be invested and the income only be utilized. The governing board has established quasi-endowment funds for the same purpose as endowment funds, and any portion of quasi-endowment funds may be expended.

Plant Funds - Plant funds are divided into four groups: Unexpended Plant, Renewals and Replacements, Retirement of Indebtedness, and Investment in Plant. Unexpended plant funds represent funds, which were specified by external sources or designated by the Board of Visitors for the acquisition and construction of physical properties. Renewal and replacement funds represent funds for the renovation and replacement of physical properties. Retirement of indebtedness funds represent resources held for the retirement of both principal and interest on debt and sinking funds established under bond indentures. Investment in Plant funds represent the capitalized value of physical property owned by the University, less associated long-term debt.

Agency Funds - Agency funds reflect funds held in custody for others by the University.

D. Investments

Investments that are purchased are recorded at fair value; investments received by gift are carried at fair value at the date of acquisition.

E. Inventories

Inventories are valued at the lower of cost (generally determined on the first-in, first-out basis) or market.

F. Interfund Obligations

Interfund obligations represent the temporary use of current funds pending reimbursement of expenditures among funds.

G. Investment in Plant

Plant assets are stated at cost, or if donated, at fair market value at the date of donation. No provision for depreciation is made. Plant fund expenditures for construction in progress are capitalized as incurred and reflected in investment in plant.

To the extent that current funds are used to finance plant assets, the amounts so provided are accounted for as: (1) expenditures, in the case of normal replacement of moveable equipment and library books; (2) mandatory transfers, in the case of required provisions for debt amortization and interest and equipment renewal and replacement, and (3) transfers of a nonmandatory nature for all other cases. Plant assets, at the time of disposal, revert to the Commonwealth of Virginia for disposition. Proceeds, if any, are returned to the University.

H. Accrued Leave

Accrued leave reflected in the accompanying financial statements represents the amount of annual, sick, and compensatory leave earned by employees of the University as of June 30, 2001. The amount represents all earned vacation, sick, and compensatory leave payable under the Commonwealth of Virginia's leave pay-out policy and the University's faculty administrators' leave pay-out policy upon employment termination. The applicable share of employer related taxes payable on the eventual termination payments is also included.

I. Deferred Revenue

Deferred revenue represents moneys received but not earned as of June 30, 2001. In the Current Unrestricted funds, deferred revenue represents student tuition and fees received in advance of the academic term.

J. Total Columns

Total columns on the financial statements are captioned "Total - Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

2. AFFILIATED ORGANIZATIONS

The financial statements do not include the assets, liabilities, and fund balances of the Old Dominion Research Foundation, the Old Dominion Educational and Real Estate Foundation, and the Old Dominion Intercollegiate Foundation. The Educational and Real Estate and Intercollegiate Foundations have been audited for the year ended December 31, 2000, by independent certified public accountants. In addition, the Research Foundation has been audited for the year ended June 30, 2001, by independent certified public accountants.

The following is a condensed summary of the audited financial conditions, which the Foundations have submitted to the University:

	Research Foundation at June 30, 2001	Educational and Real Estate Foundation at December 31, 2000	Intercollegiate Foundation at December 31, 2000
Assets	<u>\$14,711,289</u>	<u>\$99,559,203</u>	<u>\$4,959,402</u>
Liabilities	\$ 4,693,847	\$16,733,628	\$ 270,356
Fund balances	<u>10,017,442</u>	<u>82,825,575</u>	<u>4,689,046</u>
Total liabilities and fund balances	<u>\$14,711,289</u>	<u>\$99,559,203</u>	<u>\$4,959,402</u>

The aggregate revenues and expenditures of these organizations were \$40,575,000 and \$38,012,279 respectively, at June 30, 2001. The University had accounts receivable balances of \$17,872 and \$22,691 for the Educational and Real Estate Foundation and the Intercollegiate Foundation, respectively, at June 30, 2001.

Restatement Note: December 31, 1999 Fund Balances were restated for the Educational & Real Estate Foundation and the Intercollegiate Foundation because they implemented a New Accounting Standard on Contributions. The Foundations elected to adopt SFAS No. 136, Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others, effective December 15, 1999. As a result, the Foundations are required to recognize the fair value of assets transferred for the benefit of a specified beneficiary as a contribution rather than acting as an agent for the beneficiary. As permitted by the new Statement, the Foundations have restated and recognized the cumulative effect of applying the new method in its 1999 Statement of Activities. The \$31,626,895 and \$33,408,516 adjustments to temporarily and permanently restricted net assets, respectively, contained in the Educational and Real Estate Foundation's 1999 Statement of Activities represent the amounts not previously recognized as contributions. The \$2,575,719 and \$1,156,760 adjustments to temporarily and permanently restricted net assets, respectively, contained in the Intercollegiate Foundation's 1999 Statement of Activities represent the amounts not previously recognized as contributions.

3. RESTATEMENT OF BEGINNING FUND BALANCES

Beginning fund balance in the Investment in Plant fund was adjusted to properly report equipment inventory not removed the University's fixed asset system in previous years.

	Investment in <u>Plant Fund</u>
Fund balances at June 30, 2000	\$263,923,367
Adjustment	<u>(2,315,311)</u>
Restated balance at July 1, 2000	<u>\$261,608,056</u>

4. CASH AND INVESTMENTS

All state funds of the University are held by the Treasurer of Virginia pursuant to Section 2.1-177, et seq., Code of Virginia, who is responsible for the collection, disbursement, custody, and investment of state funds. Each fund's equity in pooled state funds is reported as "Cash" on the accompanying balance sheet and is not categorized as to credit risk. Certain deposits also are held by the University. Deposits with banks and savings institutions are covered by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.1-359, et seq., Code of Virginia. Under the Act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50 percent of excess deposits to a collateral pool in the name of the State Treasury Board. Savings institutions are required to collateralize 100 percent of deposits in excess of FDLIC limits.

Statutes authorize the investment of funds held by the University in obligations of the Commonwealth, federal government, other states or political subdivisions thereof, Virginia political subdivisions, the International Bank for Reconstruction and Development, the Asian Development Bank, and the African Development Bank. In addition, the University may invest in prime quality commercial paper rated Prime 1 by Moody's Investment Service or A-1 by Standard and Poor's Incorporated, overnight term or open repurchase agreements and money market funds comprised of investments which are otherwise legal investments of the University.

The University's investments are categorized below to give an indication of the level of credit risk assumed by the University at June 30, 2001. Credit risk is the risk that the University may not be able to obtain possession of its investment instrument or collateral at maturity. Risk category 1 includes investments which are insured or registered or for which the securities are held by the University or its safekeeping agent in the University's name. Risk category 2 includes uninsured or unregistered investments for which the securities are held by the broker or dealer, or by its trust department or safekeeping agent in the University's name. Risk category 3 includes uninsured or unregistered investments for which the securities are held by the broker or dealer, or by its trust department or safekeeping agent but not in the University's name. The composition and categorization of investments held by the University at June 30, 2001, follows:

<u>Temporary Investments</u>	<u>Fair Value</u>
Category 3:	
U.S. Government Securities and	
U.S. Government Agent Securities	\$ 1,087,608
Common and preferred stock	922,237
Corporate bonds	154,407
Municipal Bonds	<u>108,634</u>
Subtotal	2,272,886
Noncategorized:	
Money market	<u>6,164,681</u>
Total temporary investments	<u>8,437,567</u>
<u>Long-Term Investments</u>	
Category 3:	
U.S. Government Securities and	
U.S. Government Agent Securities	537,213
Common and preferred stock	5,743,793
Corporate bonds	2,294,462
Municipal Bonds	<u>8,239</u>
Subtotal	8,583,707
Noncategorized:	
Money market	3,995,699
REIT	2,295
State Non-arbitrage Program investments	10,859,767
Securities Lending	<u>2,916,891</u>
Total long-term investments	<u>26,358,359</u>
Total investments	<u>\$34,795,926</u>

Investments held by the Treasurer of Virginia in the Current Unrestricted fund represent the University's allocated share of securities received for securities lending transactions held in the General Account of the Commonwealth. Information related to the credit risk of these investments and securities lending transactions held in the General Account is available on a statewide level in the Commonwealth of Virginia's Comprehensive Annual Financial Report.

5. DETAIL FOR BALANCE SHEET RECEIVABLE SUMMARY

Unrestricted Current Funds:	
Accounts receivable, less allowance of \$394,284	<u>\$ 4,586,517</u>
Restricted Current Funds:	
Accounts receivable, less allowance of \$16,088	<u>\$ 1,406,130</u>

Loan Funds:

Accounts receivable \$ 173,853

Notes receivable, less allowance of \$248,530 \$ 2,897,610

Agency Funds:

Accounts receivable, less allowance of \$291 \$ 88

6. LONG-TERM DEBT

A summary of changes in long-term indebtedness follows:

	Balance <u>July 1, 2000</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>June 30, 2001</u>
Bonds and notes payable	\$41,173,484	\$13,704,999	\$3,362,121	\$51,516,362
Leases payable	<u>3,768,866</u>	<u>-</u>	<u>1,751,079</u>	<u>2,017,787</u>
Total	<u>\$44,942,350</u>	<u>\$13,704,999</u>	<u>\$5,113,200</u>	<u>\$53,534,149</u>

Long-term debt of the University at June 30, 2001, consists of the following:

Bonds Payable

Old Dominion University's bonds are issued pursuant to Section 9 of Article X of the Constitution of Virginia. Section 9(c) bonds are backed by the full faith, credit and taxing power of the Commonwealth, and are issued to finance capital projects which, when completed, will generate revenue to repay the debt. Section 9(d) bonds are revenue bonds and are not backed by full faith, credit, or taxing power of the Commonwealth. These bonds are not General Obligation Bonds and are not deemed to constitute a legal liability of the Commonwealth. This debt is payable from general revenues or revenues of specific revenue-producing capital projects.

	<u>Interest Rate %</u>	<u>Maturity</u>	<u>Balance at June 30, 2001</u>
<u>Higher Education Institutions 9(c) Bonds:</u>			
Powhatan Field Apartments-Phase II Federal Bonds, Series 1983A	3.00	2013	\$ 1,855,000
Powhatan Field Apartments-Phase II Refunding Bonds, Series 1992	5.00-5.60	2002	51,775
Midrise Apartments Federal Bonds, Series 1983 B	3.00	2013	1,780,000
Midrise Apartments, Refunding Bonds, Series 1992	5.00-5.70	2003	959,944
Athletic Renovation, Refunding Bonds, Series 1993 B	3.50-4.50	2003	678,851
Athletic Renovation, Refunding Bonds, Series 1993	3.75-4.90	2004	402,069
Life Science Building Parking, Refunding Bonds, Series 1993 B	3.50-4.50	2003	229,468
Life Science Building Parking, Refunding Bonds, Series 1993	3.75-4.90	2004	135,698
Rogers Hall Renovation, Refunding Bonds, Series 1993 B	3.50-4.50	2003	258,129

Rogers Hall Renovation, Refunding Bonds, Series 1993	3.75-4.90	2004	\$ 150,776
Gresham Dormitory Renovation, Refunding Bonds, Series 1992	5.00-5.70	2003	193,756
Smalls Hardware, Refunding Bonds, Series 1993	3.75-5.20	2008	211,555
Athletic Facility-Phase I, Refunding Bonds, Series 1993B	3.50-5.00	2010	3,838,806
Multi-Level Parking, Refunding Bonds, Series 1993B	3.50-5.00	2010	3,020,359
Webb Center Addition, Refunding Bonds, Series 1993B	3.50-5.00	2011	3,963,264
Webb Center Addition, Refunding Bonds, Series 1996	5.60-7.60	2002	330,000
Webb Center Addition, Refunding Bonds, Series 1996	4.75	2003	356,912

Higher Education Institutions 9(d) Bonds:

Virginia Beach Campus, Series 1997A	3.75-5.00	2018	9,450,000
Convocation Center, Series 1997A	3.75-5.00	2018	4,925,000
Convocation Center Parking Facility, Series 1997A	3.75-5.00	2018	1,765,000
Virginia Beach Campus Center, Series 1999A	4.50-6.00	2020	865,000
Convocation Center Project Fund, Series 1999A	4.50-6.00	2020	965,000
Parking Decks, Series 1999A	4.50-6.00	2020	1,425,000
Convocation Center, Series 2000A	4.25-5.75	2021	4,965,000
Convocation Center Parking, Series 2000A	4.25-5.75	2021	<u>8,740,000</u>

Total bonds payable 51,516,362

Capital Leases Payable:

Virginia College Building Authority allocation from Equipment Trust Fund (Note 7)	<u>2,017,787</u>
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Total long-term debt \$53,534,149

Long-term debt matures as follows:

Year Ending <u>June 30,</u>	<u>Bonds</u>	<u>Capital Leases</u>	<u>Total</u>
2002	\$ 6,039,828	\$1,517,841	\$ 7,557,669
2003	5,988,171	617,003	6,605,174
2004	5,471,926	-	5,471,926
2005	4,754,150	-	4,754,150
2006	4,749,444	-	4,749,444
Later years	<u>46,801,995</u>	<u>-</u>	<u>46,801,995</u>
Total payments	73,805,514	2,134,844	75,940,358
Less interest	<u>(22,289,152)</u>	<u>(117,057)</u>	<u>(22,406,209)</u>
Net principal	<u>\$51,516,362</u>	<u>\$2,017,787</u>	<u>\$53,534,149</u>

7. HIGHER EDUCATION EQUIPMENT TRUST FUND

The University has entered into lease agreements under the Equipment Trust Fund (ETF) of the Virginia College Building Authority (VCBA). The lease agreements are payable over a five-year period with interest ranging from 4.10 percent to 6.00 percent for principal outstanding at June 30, 2001, totaling \$2,017,787. Under the terms of the leases, the University is authorized to purchase equipment from an approved list of equipment items in an amount not to exceed the principal amount of the lease. Payments for such purchases are to be reimbursed to the University or directly paid by the VCBA from the VCBA Equipment Trust Fund financed from proceeds of bonds issued by the VCBA for such purpose. The General Assembly has appropriated from the General Fund of the Commonwealth, an amount sufficient to repay principal and interest, for the general fund portion of the lease payment, and the University is required to pay the nongeneral fund portion of the lease payment. At June 30, 2001, the University had purchased equipment totaling \$20,796,031, which is their total allocation from the VCBA.

8. COMMITMENTS

At June 30, 2001, the University was committed to construction contracts totaling \$63,687,605. Under those contracts, completed construction amounted to \$29,019,689 and uncompleted construction amounted to \$34,667,916 at June 30, 2001.

The University leases various types of equipment and real property under operating lease arrangements. Rental expense under operating leases was \$3,087,272 for the year ended June 30, 2001. Commitments for subsequent fiscal years are as follows:

Year Ending <u>June 30,</u>	Operating Lease <u>Obligations</u>
2002	\$ 1,510,070
2003	1,269,526
2004	1,281,803
2005	1,294,423
2006	1,258,887
Later years	<u>11,644,806</u>
Total	<u>\$18,259,515</u>

9. CASH OVERDRAFT

The cash overdraft in the Endowment and Similar Fund is due to the University's short-term investment of excess cash in bank. The overdraft in the Unexpended Funds is due to monies not yet drawn down from SNAP bonds through the Bank of New York to fund the Convocation Center and Convocation Center Parking at year-end.

10. RETAINAGE PAYABLE

At June 30, 2001, \$894,689 was held by the University as retainage on construction contracts for work which has been performed. Retainage represents contractual or agreed-upon amounts withheld from contractors pending satisfactory completion of the construction projects.

11. STATE APPROPRIATIONS – CURRENT UNRESTRICTED FUNDS

The Appropriation Act specifies that unexpended appropriations from the General Fund of the Commonwealth shall revert, except as specifically provided by the General Assembly, at the end of a biennium. For years ending at the middle of a biennium, unexpended appropriations that have not been approved for reappropriation in the next year by the Governor become part of the General Fund of the Commonwealth and are, therefore, no longer available to the University for disbursement.

During the fiscal year ended June 30, 2001, the following changes were made to the University's original appropriation, including supplemental appropriations received in accordance with the Appropriation Act of 2000, Chapter 1073, Acts of Assembly:

Original Appropriation	\$83,968,264
Adjustments:	
Student financial assistance	1,585,034
Central funds	51,907
Prior year General Fund rollover	24,225
Deferred compensation cash match	261,039
ARC to sister colleges	(113,750)
General Funds	(943)
Act Part 3 transfer	<u>(65,752)</u>
Adjusted appropriations	<u>\$85,710,024</u>

12. RETIREMENT AND PENSION SYSTEMS

Substantially all full-time classified salaried employees of the University participate in the defined benefit retirement plan administered by the Virginia Retirement System (VRS). Information relating to this plan is available at the statewide level in the Commonwealth of Virginia's Comprehensive Annual Financial Report (CAFR). The Commonwealth, not Old Dominion University, has overall responsibility for contributions to this plan.

Full-time faculty and certain administrative staff are eligible to participate in other retirement plans. These are fixed contribution programs where the retirement benefits received are based upon employer contributions of 5.40 percent and employee contributions of five percent and interest and dividends. Individual contracts issued under the plans provide for full and immediate vesting of both University and employee contributions. Total pension costs under these plans were approximately \$3,311,336 for the year ended June 30, 2001. Contributions to other retirement plans were calculated using the base salary amount of approximately \$31,839,768.

13. POST-EMPLOYMENT BENEFITS

The Commonwealth participates in the VRS administered statewide group life insurance program, which provides post-employment life insurance benefits to eligible retired and terminated employees. The Commonwealth also provides health care credits against the monthly health insurance premiums of its retirees who have at least 15 years of service and participated in the state health plan. Information related to these plans is available at the statewide level in the Commonwealth's Comprehensive Annual Financial Report (CAFR).

14. LITIGATION

The University has been named as a defendant in a number of lawsuits. The final outcome of any of these lawsuits cannot be determined at this time. However, management is of the opinion that any ultimate liability to which the University may be exposed will not have a material effect upon the University's financial position.

15. CONTINGENCIES

The University receives assistance from grantor agencies in the form of grants and contracts for specific purposes that are subject to review and audit by the grantor agencies. Claims against those resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations. Any disallowance resulting from final settlement may become a liability of the University. As of June 30, 2001, the University estimates that no material liabilities will result from such settlements.

16. RISK MANAGEMENT

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; non-performance of duty; injuries to employees; and natural disasters. The University participates in insurance plans maintained by the Commonwealth of Virginia. The state employee health care plan and workers' compensation plans are administered by the Department of Human Resource Management and the risk management insurance plans are administered by the Department of Treasury, Division of Risk Management. Risk management insurance includes property, general liability, medical malpractice, faithful performance of duty bond, automobile, and air and watercraft plans. The University pays premiums to each of these Departments for its insurance coverage. Information relating to the Commonwealth's insurance plans is available at the statewide level in the Commonwealth of Virginia's Comprehensive Annual Financial Report.

17. PENDING GASB STATEMENT

Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, issued November 1999, will be effective for Old Dominion University for the fiscal year ending June 30, 2002. This Statement imposes new standards for financial reporting. The titles and formats of the financial statements will change significantly as a result of this Statement. In addition,

management will be required to provide a management's discussion and analysis that gives readers an analysis of the University's overall financial position and results of operations including a comparison of current year results with the prior year. Old Dominion University has completed its assessment of the changes required by this Statement and is preparing for implementation.

OLD DOMINION UNIVERSITY
SCHEDULE OF AUXILIARY ENTERPRISES REVENUES AND EXPENDITURES
For the Year Ended June 30, 2001

	Residential Facilities	Dining Services	University Stores	Virginia Beach Development	Student Activities
Operating revenues:					
Student fees	\$ 5,886,408	\$ -	\$ -	\$ 468,448	\$ 1,644,444
Sales and services	1,734,517	357,524	36,255	-	176,589
Proceeds from Securities Lending Program	-	-	-	-	-
Investment Income	-	-	-	103,469	-
Rental and other income	-	30,577	512,870	184	-
Gross operating revenues	7,620,925	388,101	549,125	572,101	1,821,033
Cost of sales	-	-	-	-	-
Net operating revenues	7,620,925	388,101	549,125	572,101	1,821,033
Operating expenditures:					
Personal services	1,862,941	13,471	-	-	1,095,530
Contractual services	3,220,083	19,296	20,939	5,636	670,900
Equipment	411,599	-	-	-	31,721
Supplies and materials	375,373	-	4,132	-	108,708
Scholarships	-	-	-	-	-
Total operating expenditures	5,869,996	32,767	25,071	5,636	1,906,859
Excess (deficiency) of revenues over operating expenditures	1,750,929	355,334	524,054	566,465	(85,826)
Nonoperating revenue:					
Private gifts	-	-	-	-	-
Mandatory transfers:					
Debt service	(1,498,915)	-	-	(887,523)	(4,085)
Nonmandatory transfers (to)/from other funds	(142,190)	(302,713)	(441,510)	1,424	56,294
Total transfers	(1,641,105)	(302,713)	(441,510)	(886,099)	52,209
Net increase (decrease) in fund balances	109,824	52,621	82,544	(319,634)	(33,617)
Fund balances (deficit) at beginning of year	4,560,206	762,668	(2,293)	2,107,240	(145,078)
Fund balances (deficit) at end of year	\$ 4,670,030	\$ 815,289	\$ 80,251	\$ 1,787,606	\$ (178,695)

* Beginning Fund Balance in East Side Development was decreased by \$4,483,673 to reflect prior year transfers to unexpended plant to fund capital projects.

** Beginning Fund Balance of General Fee Reserve was increased by \$270,084 to reverse error in prior year posting of transfers.

Webb Center	Parking	East Side Development	Athletic Programs	Auxiliary Other **	General Fee Reserve	Total
\$ 2,255,222	\$ -	\$ 4,066,726	\$ 8,608,994	\$ 1,288,131	\$ -	\$ 24,218,373
179,883	2,492,600	-	931,382	1,535,273	605,849	8,049,872
-	-	-	-	-	99,724	99,724
-	-	511,110	-	-	-	614,579
-	-	-	-	-	-	543,631
2,435,105	2,492,600	4,577,836	9,540,376	2,823,404	705,573	33,526,179
-	-	-	14,275	-	-	14,275
2,435,105	2,492,600	4,577,836	9,526,101	2,823,404	705,573	33,511,904
831,713	545,203	-	3,707,301	1,677,319	-	9,733,478
741,675	345,564	59,932	2,682,421	783,569	99,751	8,649,766
75,407	6,991	-	109,365	40,882	-	675,965
218,103	24,408	-	357,140	158,010	-	1,245,874
-	-	-	1,701,642	-	-	1,701,642
1,866,898	922,166	59,932	8,557,869	2,659,780	99,751	22,006,725
568,207	1,570,434	4,517,904	968,232	163,624	605,822	11,505,179
-	-	-	354,633	-	-	354,633
(595,662)	(574,916)	(1,072,158)	(946,030)	(442)	-	(5,579,731)
43,076	(693,467)	(2,510,313)	45,679	(181,474)	(162,210)	(4,287,404)
(552,586)	(1,268,383)	(3,582,471)	(900,351)	(181,916)	(162,210)	(9,867,135)
15,621	302,051	935,433	422,514	(18,292)	443,612	1,992,677
1,201,628	3,755,027	8,511,901	1,876,247	216,149	214,009	23,057,704
\$ 1,217,249	\$ 4,057,078	\$ 9,447,334	\$ 2,298,761	\$ 197,857	\$ 657,621	\$ 25,050,381

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Norfolk, Virginia

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